

COMMONWEALTH OF VIRGINIA
MINUTES OF VIRGINIA GAS AND OIL BOARD HEARINGS
~~April 19, 2011~~
DOCKET RE-SET FOR April 26, 2011

Due to the lack of a quorum, the April 19, 2011 hearings were re-set for April 26, 2011. Pursuant to Sections 45.1-361.9B and 45.1361.22.B of the Code of Virginia, the Virginia Gas and Oil Board held a meeting at 9 a.m. on Tuesday, April 26, 2011, at the Russell County Office Complex, Conference Center, and 139 Highland Drive, Lebanon, Virginia.

Board members present were: Bradley C. (Butch) Lambert, Chairman, Bruce Prather, Mary Quillen, Katie Dye and Donnie Ratliff.

Also present was Sharon M. B. Pigeon, Sr. Assistant Attorney General, David E. Asbury Jr., Principal Executive to the Staff of the Board, Diane J. Davis, Program Support Technician and Mike Abbott, DMME Public Information Manager.

1. The board will receive public comments.

Public comments were received from:

- A) Martha Guilliams asked that corrections be made regarding spelling of her last name in board transcripts and that of her brother Sidney.
- B) Juanita Sneeuwjagt, yielded her two minutes and had no comments.
- C) Debbie Rhea, daughter of Arnold Keene and Deloris Estep daughter of Ralph Keen stated objections regarding a signed 50/50 split agreement.

2. The board will receive the quarterly update from First Bank and Trust Company, Escrow Agent of the Board. This presentation will include discussion of future investment opportunities.

Debbie Davis and Karen McDonald, FB&T representatives, provided an update to the Board's regarding its escrow account. Ms. Davis stated as of March 31, 2011, the beginning escrow balance was \$26,613,309.79; working interest was \$2,284.57, royalty deposits totaled \$172,089.01, money market interest paid was \$1,604.64 and CDARS interest paid was \$10,669.80; disbursements were \$44,121.00, Agent fees were \$2,217.78, Audit Costs were \$9,311.69; all providing an Ending Market account value of \$26,744,357.34.

Ms. Davis commented that disbursement orders approved by the Board and processed during the first quarter totaled \$259,318.38.

Ms. Davis discussed portions of the quarterly meeting with staff and expressed interests regarding:

- (1) a more complete reconciliation for disbursements and
- (2) Electronic transfer of deposits from operators on a more frequent basis.

Turning to investment activities, Mrs. McDonald stated that total investments were \$26,147,988.40 as of April 21, 2011. She discussed investment activities during the first quarter.

Mrs. McDonald presented a reinvestment strategy to the Board utilizing the CDARS program through 2012. After discussion, a motion was made and seconded to

continue the investment strategy, as presented, for 12 months ending April 2012. The reinvestments will include six and twelve month maturity for CDARS accounts. The escrow agent would need to come back to the Board for investment direction before April 2012 only if an opportunity from a change in interest income occurred or a need arose to place additional funds in the money market investment account to cover disbursements or audit activities.

Chairman Lambert requested an update from Staff regarding the detailed review of escrow accounts relative to the audit:

David Asbury provided an update regarding the escrow account review and stated the data accumulation phased is progressing well and is on schedule. The account review team has completed data files for one major producer relative to their 2009 and 2008 payments into escrow and have begun work on prior years.

Mr. Asbury provided the board with an estimate that each quarter will cost between \$18,000 to \$21,000 for the hourly work.

During discussion of the period cumulative interest balance, Mr. Ratliff asked that a column be added to the cost tracking report reflecting the agent fees against cumulative interest for prior years beginning with 2004.

3. A petition from CNX Gas Company, LLC, for **disbursement** of funds from escrow for unit T-36, Garden District, Buchanan County, Virginia. The petition is for disbursement of a portion of Tracts 3A, 3B and 3C. Docket Number VGOB-98-0324-0625-09.

Mr. Osborne, speaking on behalf of the Linkous Horn estate objects to the disbursement of any funds for the accounts involving the Linkous Horne until the paperwork regarding heirship is straight and the percentages are correct. This disbursement is based on royalty split agreements.

The petition for disbursement was approved and the account is to remain open.

4. A petition from CNX Gas Company, LLC, for **disbursement** of funds from escrow for unit S-36, Garden District, Buchanan County, Virginia. The petition is for the disbursement of a portion of Tracts 3 and 3C. Docket Number VGOB-98-0324-0626-08.

Mr. Osborne, speaking on behalf of the Linkous Horn estate objects to the disbursement of any funds for the accounts involving the Linkous Horne until the paperwork regarding heirship is straight and the percentages are correct. This disbursement is based on royalty split agreements.

The petition for disbursement was approved and the account is to remain open.

5. A petition from CNX Gas Company, LLC, for **disbursement** of funds from escrow for unit S-37, Garden District, Buchanan County, Virginia. The petition is for disbursement of a portion of Tract 5. Docket Number VGOB-98-0421-0649-05.

Mr. Osborne, speaking on behalf of the Linkous Horn estate objects to the disbursement of any funds for the accounts involving the Linkous Horne until the paperwork regarding heirship is straight and the percentages are correct. This disbursement is based on royalty split agreements.

The petition for disbursement was approved and the account is to remain open.

6. A petition from CNX Gas Company, LLC, for **disbursement** of funds from escrow for unit T-37, Garden District, Buchanan County, Virginia. The petition is for disbursement of a portion of Tract 1A. Docket Number VGOB-98-0421-0650-05.
**Mr. Osborne, speaking on behalf of the Linkous Horn estate objects to the disbursement of any funds for the accounts involving the Linkous Horne until the paperwork regarding heirship is straight and the percentages are correct. This disbursement is based on royalty split agreements.
The petition for disbursement was approved and the account is to remain open.**
7. A petition from CNX Gas Company, LLC, for **disbursement** of funds from escrow for unit S-35, Garden District, Buchanan County, Virginia. The petition is for disbursement of a portion of Tract 3. Docket Number VGOB-98-0915-0681-06.
**Mr. Osborne, speaking on behalf of the Linkous Horn estate objects to the disbursement of any funds for the accounts involving the Linkous Horne until the paperwork regarding heirship is straight and the percentages are correct. This disbursement is based on royalty split agreements.
The petition for disbursement was approved and the account is to remain open.**
8. A petition from CNX Gas Company, LLC, for **disbursement** of funds from escrow for unit AY-120, New Garden District, Russell County, Virginia. The petition is for disbursement of a portion of Tracts 2A and 2G. Docket Number VGOB-04-0615-1296-02.
**This disbursement is based on royalty split agreements.
The petition for disbursement was approved. The account is to remain open.**
9. A petition from CNX Gas Company, LLC, for **disbursement** of funds from escrow for unit BD-116, New Garden District, Russell County, Virginia. The petition is for disbursement of a portion of Tract 1C. Docket Number VGOB-02-1015-1082-02.
**This disbursement is based on royalty split agreements.
The petition for disbursement was approved. The account is to remain open.**
10. A petition from CNX Gas Company, LLC, for **disbursement** of funds from escrow for unit FF-37, Maiden Springs and New Garden Districts of Russell and Tazewell County, Virginia. The petition is for the disbursement of Tracts 2B, 2C, 2D, 2F. Docket Number VGOB-03-1021-1206-01.
**T. Shea Cook appeared representing various Short heirs. Mr. Cook objected to the post production expenses being deducted and made his objections part of the record. This disbursement is based on an order of the court.
The petition for disbursement was approved. The account is to remain open.**
11. A petition from CNX Gas Company, LLC, for **disbursement** of funds from escrow for unit FF-38, Maiden Springs District, Tazewell County, Virginia. The petition is for the disbursement of Tracts 1B, 2G, 2H, 2I and 2J. Docket Number VGOB-03-1021-1207-02.
T. Shea Cook appeared representing various Short heirs. Mr. Cook objected to the post production expenses being deducted and made his objections part

of the record. This disbursement is based on an order of the court and a royalty split agreement for Tract 1B. A revised Exhibit A-1 will be submitted.

The petition for disbursement was approved. The account is to remain open.

12. A petition from CNX Gas Company, LLC, for **disbursement** of funds from escrow for unit BF-100, Hurricane District, Buchanan County, Virginia. The petition is for the disbursement of Tract 1B. Docket Number VGOB-04-1214-1368-02.

This disbursement is based on a deed representing a 50/50 split.

The petition for disbursement was approved. The account is to remain open.

13. A petition from CNX Gas Company, LLC, for **disbursement** of funds from escrow for unit V36, Garden District, Buchanan County, Virginia. The petition is for disbursement of Tract 4G. Docket Number VGOB-98-0324-0638-05. **Continued from March 2011.**

The petition was denied based on on-going litigation.

14. A petition from CNX Gas Company, LLC, for **disbursement** of funds from escrow for unit V37, Garden District, Buchanan County, Virginia. The petition is for disbursement of Tract 3A. Docket Number VGOB-98-0324-0639-02. **Continued from March 2011.**

The petition was denied based on on-going litigation.

15. The Board will hear **an appeal of the decision** rendered by the Division Director relative to Informal Fact Finding Hearing IFFH 24006. Docket Number VGOB 11-0419-2941.

The Board continued the appeal to May 2011.

16. A petition from CNX Gas Company, LLC, for **disbursement of funds** from escrow for unit Q40, Garden District, Buchanan County, Virginia. The petition is for disbursement of Tract 3. Docket Number VGOB-93-0216-0328-03.

This disbursement is based on royalty split agreements.

The petition for disbursement was approved. The account is to remain open.

17. A petition from CNX Gas Company, LLC to **allow election rights** in Unit C29, Well C29A, Garden District, Buchanan County, Virginia. Docket Number VGOB-10-1116-2848. **Continued from February 2011. Continued from March 2011.**

The petition was approved by the Board.

18. A petition from Range Resources-Pine Mountain, Inc. for **establishment of a 320 acre provisional drilling unit** (RANGE-2917) for the drilling of horizontal conventional gas wells, Knox District, Buchanan County, Virginia. Docket Number VGOB-11-0315-2917. **Continued from March 2011.**

The petition was approved by the Board.

19. A petition from Southeast Land & Mineral, LLC for the **establishment of a 160 acre Provisional Drilling Unit**, Unit C-7 served by proposed Hutton #1 well, Tyler District, Washington County, Virginia. Docket Number VGOB-11-0315-2918. **Continued from March 2011.**

The petition was withdrawn by the Applicant.

20. A petition from Southeast Land & Mineral, LLC for **pooling** of Unit C-7 served by proposed Hutton #1 well, Tyler District, Washington County, Virginia. Docket Number VGOB-11-0315-2919. **Continued from March 2011.**

The petition was withdrawn by the Applicant.

21. A petition from Southeast Land & Mineral, LLC for the **establishment of a 160 acre Provisional Drilling Unit**, Unit C-8 served by proposed well Carroll #1 well, Tyler District, Washington County, Virginia. Docket Number VGOB-11-0315-2920. **Continued from March 2011.**

The petition was continued to June 14, 2011.

22. A petition from Southeast Land & Mineral, LLC for **pooling** of Unit C-8 served by proposed Carroll #1 well, Tyler District, Washington County, Virginia. Docket Number VGOB-11-0315-2921. **Continued from March 2011.**

The petition was continued to June 14, 2011.

23. A petition from GeoMet Operating Company, Inc. for **pooling** of coalbed methane unit 292 VA Unit A-34, Garden District, Buchanan County, Virginia. Docket Number VGOB-11-0315-2928. **Continued from March 2011.**

The petition was continued to May 17, 2011.

24. A petition from CNX Gas Company, LLC, for **pooling** of coalbed methane unit AZ-117, New Garden District, Russell County, Virginia. Docket Number VGOB-11-0419-2930.

The petition was approved by the Board.

25. A petition from CNX Gas Company, LLC, for **re-pooling** of coalbed methane unit W-34 in the Oakwood Coalbed Methane Gas Field 1, Garden District, Buchanan County, Virginia. Docket Number VGOB 97-0318-0571-06.

The petition was approved by the Board.

26. A petition from CNX Gas Company, LLC, for **re-pooling** of coalbed methane unit W-35 in the Oakwood Coalbed Methane Gas Field 1, Garden District, Buchanan County, Virginia. Docket Number VGOB 98-0324-0627-07.

The petition was approved by the Board with elections being afforded to unleased parties in tract 1I (parties identified in petition as deceased/documentation pending).

27. A petition from CNX Gas Company, LLC, for **re-pooling** of coalbed methane unit BB-122 in the Nora Coalbed Methane Gas Field, New Garden District, Russell County, Virginia. Docket Number VGOB 05-0719-1475-01.

The petition was approved by the Board with elections being afforded to unleased parties intract 2D, 2F and 2G.

28. A petition from CNX Gas Company, LLC, for **re-pooling** of coalbed methane unit BB-107 in the Middle Ridge 1 Coalbed Methane Gas Field, New Garden District, Russell County, Virginia. Docket Number VGOB 09-0915-2596-01.

The petition was continued to the May 17, 2011.

29. A petition from Range Resources-Pine Mountain, Inc. for the **establishment of a 320 acre provisional drilling unit** (RR 2940) for drilling of horizontal conventional gas wells, Sandlick District, Dickenson County, Virginia. Docket Number VGOB 11-0419-2940.

The petition was continued to May 17, 2011.

30. A petition from Range Resources-Pine Mountain, Inc. for the **establishment of a 320 acre provisional drilling unit** (RR2931) for drilling of horizontal conventional gas wells, Knox District, Buchanan County, Virginia. Docket Number VGOB 11-0419-2931.

The petition was approved by the Board.

31. A petition from Range Resources-Pine Mountain, Inc. for a **well location exception** for proposed well 900042, Rock Lick District, Buchanan County, Virginia. Docket Number VGOB 11-0419-2932.

The petition was continued to May 17, 2011.

32. A petition from Range Resources-Pine Mountain, Inc. for a **well location exception** for proposed well 900036, Sandlick District, Dickenson County, Virginia. Docket Number VGOB 11-0419-2933.

The petition was approved by the Board.

33. A petition from Range Resources-Pine Mountain, Inc. for the **establishment of a 112.69 acre conventional gas drilling unit and pooling**, Unit 900036, Sandlick District, Dickenson County, Virginia. Docket Number 11-0419-2934.

The petition was approved by the Board with submission of a Revised Exhibit E with the order.

34. A petition from Range Resources-Pine Mountain, Inc. for the **establishment of a 112.69 acre conventional gas drilling unit and pooling**, Unit V-530298, Sandlick District, Dickenson County, Virginia. Docket Number 11-0419-2935.

The petition was approved by the Board.

35. A petition from Range Resources-Pine Mountain, Inc. for a **well location exception** for proposed well V-530301, Kenady District, and Dickenson County, Virginia. Docket Number VGOB 11-0419-2936.

The petition was approved by the Board.

36. A petition from Range Resources-Pine Mountain, Inc. for **the establishment of a 112.69 acre conventional gas drilling unit and pooling**, Unit V-530301, Kenady District, Dickenson County, Virginia. Docket Number VGOB 11-0419-2937.

The petition was approved by the Board.

37. A petition from Range Resources-Pine Mountain, Inc. for **the establishment of a 112.69 acre conventional gas drilling unit and pooling**, Unit 900002, Sandlick District, Dickenson County, Virginia. Docket Number VGOB 11-0419-2938.

The petition was approved by the Board.

38. A petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed well 90049, Knox District, Buchanan County, Virginia. Docket Number VGOB-11-0419-2939.

The petition was approved by the Board with an submission of a revised Exhibit B.

39. The Board will review and discuss the Auditor of Public Accounts (APA) final report and actions regarding the APA's recommendations to the Board.

Continued from March 2011.

Chairman Lambert stated that he and Mr. Asbury will work to format recommendations to address the APA audit for consideration by the Board at their June 14, 2011 hearings.

In further action, the Board discussed a conflict in scheduling for the June 21, 2011 hearings. **The June board hearings will be re-set for June 14, 2011.**

40. The Board will receive an update of Board and Division activities from Staff.

An update of the hourly work being conducted relative to the detailed account review of the escrow account was provided earlier in the day.

An update of the first quarter escrow account activities was provided with the FB&T presentation in docket item 2.

Quarterly Statement of Account

Virginia Oil and Gas Board (VGOB)	Wachovia Bank, Escrow Agent for:					First Bank & Trust, Escrow Agent for:			
	2005 Year-End	2006 Year-End	2007 Year-End	2008 Year-End	2009 Year-End	2010 Year-End	Data through March 31, 2011		2011 Year-End
							2011 1st Qtr	2011 2nd Qtr	
1 Beginning Value	10,307,951	\$ 13,049,865	\$ 15,942,163	\$ 18,514,685	\$ 23,983,291	\$ 24,142,156	\$ 26,437,049		\$ 26,437,049
2 Wachovia Retainage-Transition						815,348			\$ -
3 Contributions - Working Interest						16,194	\$4,329.56		
4 Contributions - Royalty Interest	2,947,443	3,505,651	2,880,421	5,374,604	2,640,340	2,803,871	\$552,674.47		\$ 552,674
5 Income (net) / Interest Income	243,151	573,877	754,937	346,885	(25,638)	75,663	\$34,635.80		\$ 34,636
6 Realized Gain / (Loss)	-	-	-	-	-	-			\$ -
7 Unrealized Gain / (Loss)	-	-	-	-	-	-			\$ -
8 Escrow Agent Fees and Expenses	-	-	-	-	-	(31,525)	(\$6,866.17)		\$ (6,866)
9 Escrow Audit Fees and Expenses						(74,190)	(\$18,196.65)		\$ (18,197)
10 Correcting Entries						-	50.00		\$ 50
11 Withdrawals / Disbursements	(448,800)	(1,187,230)	(1,062,837)	(252,883)	(1,640,489)	(1,310,467)	(259,318.38)		\$ (259,318)
12 Ending Value	13,049,744	\$ 15,942,163	\$ 18,514,685	\$ 23,983,291	\$ 24,957,504	\$ 26,437,049	\$ 26,744,357	\$ -	\$ 26,740,028

41. The Board will review the February 15, 2011 and March 15, 2011 minutes for approval.

The minutes were approved for February 15 and March 15, 2011 by the Board.

The meeting adjourned at 3:45 p.m.